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SUBJECT: Minister of Labor Looking to Create Temporary Worker Program in Honduras Without Changing Labor Code

Ref: Tegucigalpa 1487

1. (SBU) Summary. Minister of Labor German Leitzelar has proposed a three-year program that seeks to create almost 132,000 "temporary" jobs in Honduras. By doing so, Leitzelar is seeking to achieve incremental changes in the labor situation without confronting head-on the politically difficult issue of reforming the Labor Code. Businesses back his plan but unions, which at first supported the idea, have withdrawn their support delaying the planned request for congressional approval. End Summary.

2. (U) Minister of Labor German Leitzelar is seeking to achieve incremental changes in the labor situation without confronting head-on the politically difficult issue of reforming the Labor Code (reftel). The Ministry of Labor (MOL) has already successfully modified Articles 43-45 of the labor law to make more flexible the law covering Hondurans working overseas. The MOL is now planning a temporary worker program in Honduras named "New Jobs for the People."

3. (U) The idea of the program is to encourage the private sector to create additional jobs by carving out a three-year program for "temporary workers" in Honduras without having to amend the labor code. In addition to creating new jobs, something desperately needed in a country with 35 percent unemployment and widespread underemployment, the MOL hopes to combat the trend of the increasing shift to the informal sector (52 percent of the economically active workforce and seven out of every 10 new jobs, according to Minister Leitzelar). Leitzelar also hopes to create jobs for young adults, citing the lack of jobs as a main factor in the growth of gangs. The program seeks to create almost 132,000 temporary jobs over the course of three years.

4. (U) Under the ambitious plan, employers:
-- would not be allowed to fire existing workers to replace them with temporary workers,
-- of businesses with 16 or more employees would not be able to have more than 30 percent of their workforce be temporary employees (however, new small businesses - 1-15 workers - could be made up entirely of temporary workers),
-- must pay workers at least the appropriate minimum wage (depending on the industry) and more if skilled labor can negotiate a higher wage, and some, but not all, bonuses and benefits usually required by law,
-- must register with the MOL to inscribe their workers in the public health system and pay a fee of 10 lempiras (USD .58) per employee, and
-- must provide training/education to these new workers.

5. (U) According to a USAID consultant who has worked with the MOL on this and other projects, Honduras has one of the highest benefits costs for employees (65 percent of men's wages and 88 percent of women's wages). Employers argue that these high benefit costs are a disincentive to the creation of new jobs and new businesses. The advantage to the employer of the temporary worker program is that by not having to pay several bonuses/benefits (educational bonus, paid vacation, 13th and 14th month bonuses, contributions toward severance pay) that a permanent worker must receive, employers would pay 20 percent less in benefit costs to temporary workers. This in turn makes it more attractive for employers to create new jobs.

6. (U) Funds generated from fee collection would be split among the three labor confederations (30 percent per confederation) and an unemployed workers organization (10 percent). The USAID consultant told EmbOffs that the MOL has requested USD 150,000 from the Ministry of Finance for administering this program, something that might be paid for by the World Bank.

7. (SBU) Minister Leitzelar initially had the support not

only from the private sector, but also from the three labor confederations (CGT, CTH, and CUTH), perhaps due to the fact that the labor unions would benefit from the fee. However, LabAtt has recently learned from Vice Minister of Labor Angel Escobar that the labor confederations have withdrawn their support, fearing the program threatens traditional jobs and benefits. Escobar said that the program might have to be scaled back in size to recoup labor support. Pending this possible adjustment, the GOH has delayed submitting the program to Congress for approval.

18. (SBU) Comment: Since long-term structural changes in the labor code are not politically possible in the short term, Minister Leitzelar is seeking to make changes on the margin and effectively enact incremental reform. However, unlike the non-controversial changes in the law covering Hondurans working overseas, the temporary workers idea has proven to be somewhat difficult. If Leitzelar can come to an agreement with the union confederations the passage of the program is almost assured in congress; without such a deal the plan may be dead. End Comment.

Palmer